10 February 2023

## Global Markets Research

## Daily Market Highlights

# 10 Feb: Deepest UST yield curve inversion since 1980s

### US stocks tumbled between 0.7%-1.0%; DXY slipped 0.2% to 103.22

### Deepened yield curve inversion raised recession fear

### Initial jobless claims post first increase in six weeks but remained low

- Stocks retreated amidst recession signals from the UST market, hawkish Fed speaks and a surge in equity bullishness among US retail investors, often seen by many as a contrarian indicator. Accordingly, the latest survey from the American Association of Individual Investors showed that US retail investors turned bullish for the first time since April, with the bull-bear spread rising to 12.5 from -4.7 a week earlier. The Dow Jones Industrial Average lost 0.7% d/d. S&P 500 slid 0.9% d/d while Nasdaq Composite saw the greatest dip of the three at 1.0% d/d. In Europe, Stoxx 600 closed 0.6% d/d higher while FTSE 100 closed up 0.3% d/d. Stocks in Asia traded mixed. Nikkei 225 fell fractionally by 0.1% d/d, while Hang Seng index rose 1.6% d/d.

- US government bond investors meanwhile, pushed the 2-year Treasury yields above the 10-year by as much as 86bps during the day, the widest margin since the 1980s. The yield on the 10-year Treasury closed the day up by 7bps at 3.66%. The 2-year Treasury also rose by about 6bps at 4.48%.

- The Dollar Index trimmed session losses as rising UST yields weighed on risk sentiment. The Dollar Index closed the day 0.2% d/d lower at 103.22 after falling as much as 0.8% earlier following US jobless claims data. EUR appreciated 0.3% d/d buoyed by gains in European shares and bond prices following German inflation data. GBP also strengthened by 0.4% d/d, while JPY weakened slightly by 0.1% d/d following an earlier report that Japan's ruling party members see possible division if Prime Minister Fumio Kishida chooses Hirohide Yamaguchi as the next BOJ governor. CNH closed 0.1% d/d stronger while closer to home, SGD was relatively flat at 1.3257. MYR, meanwhile, weakened by 0.4% d/d to close at 4.3165.

- Oil backtracked after its best 3-day stretch since December as headwinds from recession risks in the US and Europe tempered optimism over China's reopening. The West Texas Intermediate and Brent dipped between 0.5-0.7% d/d each. Similarly, gold also reversed its earlier gains to close 0.6% d/d lower.

#### US jobless claims rose for the first time in six weeks but remained low

- Initial jobless claims rose for the first time in six weeks but nevertheless, remained historically low and did little to dent a tight labour market outlook. Claims rose more than expected by 13k to 196k in the week ended Feb 4 (Jan 28: -3k to 183k). In tandem with this, continuing claims also rose 38k to 1688k for the week ended January 28 (Jan 21: -16k to 1650k).

**Key Market Metrics**

| | Level | d/d (%) |
|---|---|---|
| **Equities** | | |
| Dow Jones | 33,699.88 | -0.73 |
| S&P 500 | 4,081.50 | -0.88 |
| NASDAQ | 11,789.58 | -1.02 |
| Stoxx Eur 600 | 462.31 | 0.62 |
| FTSE 100 | 7,911.15 | 0.33 |
| Nikkei 225 | 27,584.35 | -0.08 |
| Hang Seng | 21,624.36 | 1.60 |
| Straits Times | 3,359.48 | -0.86 |
| KLCI 30 | 1,464.64 | -0.42 |
| **FX** | | |
| Dollar Index | 103.22 | -0.18 |
| EUR/USD | 1.0740 | 0.26 |
| GBP/USD | 1.2121 | 0.41 |
| USD/JPY | 131.59 | 0.14 |
| AUD/USD | 0.6936 | 0.16 |
| USD/CNH | 6.7922 | -0.06 |
| USD/MYR | 4.3165 | 0.42 |
| USD/SGD | 1.3257 | -0.03 |
| **Commodities** | | |
| WTI ($/bbl) | 78.06 | -0.52 |
| Brent ($/bbl) | 84.50 | -0.69 |
| Gold ($/oz) | 1,866.20 | -0.60 |
| Copper ($$/MT) | 8,983.00 | 1.02 |
| Aluminum($/MT) | 2,499.00 | 0.73 |
| CPO (RM/tonne) | 3,892.50 | 0.19 |

*Source: Bloomberg, HLBB Global Markets Research*

### UK house price balance worsened more than expected

- The Royal Institution of Chartered Surveyors (RICS) house price balance worsened more than expected to -47 in January (Dec: -42). This is the lowest since April 2009. As it is, the overall mood of the market remained subdued, with 2 out of the 4 sub-indices worsened during the month.

### Malaysia's foreign reserves edged up by $0.3bn to $115.2bn

- Malaysia's foreign reserves rose slightly by $0.3bn to $115.2bn as at end-Jan (Jan 13: +$0.3bn to $114.6bn). The reserves position is sufficient to finance 5.3 months of imports of goods and services and is 1.0 time of the total short-term external debt.

**House View and Forecasts**

| FX | This Week | 1Q-23 | 2Q-23 | 3Q-23 | 4Q-23 |
|---|---|---|---|---|---|
| DXY | 102-105 | 101.4 | 100.9 | 99.9 | 98.9 |
| EUR/USD | 1.05-1.10 | 1.09 | 1.10 | 1.10 | 1.10 |
| GBP/USD | 1.18-1.23 | 1.22 | 1.23 | 1.23 | 1.23 |
| USD/JPY | 130-135 | 128 | 127 | 127 | 126 |
| AUD/USD | 0.67-0.72 | 0.69 | 0.69 | 0.70 | 0.71 |
| USD/MYR | 4.28-4.35 | 4.38 | 4.36 | 4.32 | 4.27 |
| USD/SGD | 1.30-1.35 | 1.32 | 1.30 | 1.28 | 1.26 |

| Rates, % | Current | 1Q-23 | 2Q-23 | 3Q-23 | 4Q-23 |
|---|---|---|---|---|---|
| Fed | 4.50-4.75 | 4.75-5.00 | 4.75-5.00 | 4.75-5.00 | 4.75-5.00 |
| ECB | 3.00 | 3.50 | 3.50 | 3.50 | 3.50 |
| BOE | 4.00 | 4.25 | 4.25 | 4.25 | 4.25 |
| BOJ | -0.10 | -0.10 | -0.10 | -0.10 | -0.10 |
| RBA | 3.35 | 3.60 | 3.60 | 3.60 | 3.60 |
| BNM | 2.75 | 3.00 | 3.00 | 3.00 | 3.00 |

*Source: HLBB Global Markets Research*

**Up Next**

| Date | Events | Prior |
|---|---|---|
| 10-Feb | JN PPI MoM (Jan) | 0.50% |
| | AU RBA-Statement on Monetary Policy | |
| | CH CPI YoY (Jan) | 1.80% |
| | CH PPI YoY (Jan) | -0.70% |
| | MA GDP YoY (4Q) | 14.20% |
| | UK Industrial Production MoM (Dec) | -0.20% |
| | UK Trade Balance GBP/Mn (Dec) | -£1802m |
| | UK GDP QoQ (4Q P) | -0.30% |
| | US U. of Mich. Sentiment (Feb P) | 64.9 |
| | US U. of Mich. 1 Yr Inflation (Feb P) | 3.90% |
| | US U. of Mich. 5-10 Yr Inflation (Feb P) | 2.90% |
| 11-18 Feb | CH FDI YTD YoY CNY (Jan) | 3.70% |
| 13-Feb | SI GDP YoY (4Q F) | 2.20% |

*Source: Bloomberg*

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